October 9, 1998

Publisher's Report

After a shaky revival in 1997, Whole Earth (WE) has maintained a steady although tightfisted course in 1998. The business runs on 5 full time staff, and 2 designers who work on contract for four six weeks periods. As of September 30, 3 quarters of the way through 1998, the business carries a cash balance of $96,000. Spring, Summer and Fall issues have all been published on schedule.

Finances

The business operates on $45,000 a month (average January 98 through October). Income per month, excluding donations and gifts, averages out to $33,000. WE maintains a monthly deficit of $12,000, and an annual deficit of $144,000. Given a cash balance of $96,000 as of September 30, by the end of 1998 WE will likely have cash balance of $60,000.

Note that the accompanying P&L statement measures WE's financial status on a cash basis, not accrual. The industry standard for recording subscription revenue is to register as income only that portion of payments which relate to *issues mailed*. The remaining should not show up on a P&L statement, but should show up as a liability on the balance sheet. We are in the process of modifying the books so that they are fully compliant with this standard, and this work should be complete by November 1. Until then, an accrual based picture of the business will not be available.

Capital investments that need to be made over the next quarter:
- Laser printer (600 dpi).
- fax machine.
- 2 Mac (powerpc) computers.
- 2 mac compatible monitors.
- Flat bed scanner.
- Quark Express page layout software.
- Microsoft office application suite.

Subscriptions

Fulfillment

WE subscriptions are currently fulfilled by Fulco, a fulfillment service in New Jersey. Until now, all orders for back issues, single copies and Millennium Whole Earth Catalogs (MWECs) have

been fulfilled in the office and mailed from a mail shop in Hayward, CA. As of October 1, Fulco will offer a new set of services, including inventory management, single copy fulfillment, and direct mail services. WE will immediately begin using the first two. In doing so, we will, firstly, dramatically improve customer service, as subscribers who call for back issues have always had to make two calls and deal with unpredictable delays in order to receive fulfillment on missing issues and special requests. Secondly, office staff will be unburdened by related phone calls, faxes and emails.

Subscription Marketing

For the first time with the Fall 1998 issue, WE is testing prices for subscription offers, using the insert cards. 50% of the issues include cards offering a 25% discount, and the other 50% include cards offering a 50% discount. As a vital revenue channel, the insert cards, to date, have performed poorly. So we're a testing pricing to see how sensitive newsstand (read younger) buyers are to our subscription price.

On Friday, October 9, a holiday gift mailing was sent out to all current subscribers, including summer expires (approx. 13,000). A 10% response rate will deliver an additional net revenue of $31,200. Industry standards for holiday gift mailings: between 5% and 20%.

A promotional mailing to 14,500 expired subscribers (1993 to 98) will go out in early November. The list has been qualified: records have been checked for change of addresses and outdated records have been purged.

The WE website will launch Friday, October 16. The site includes a soft offer for subscriptions and discounted MWECs. Data from other magazines posting soft offers on dedicated websites confirm the web as a low cost and efficient medium for selling subscriptions.

Newsstand Distribution

A new distribution program is currently being evaluated, and is likely to be implemented within the next 6 months. Newsstand distribution is currently managed by Eastern News, a Hearst company in New York. Eastern specializes in small to medium sized special interest magazines. The company distributes to bookstore chains and a network of wholesalers across the country. We are looking closely at dealing directly with those wholesalers ourselves. The immediate benefit to wholesalers being that they will get a higher discount per issue sold. The new terms offer an incentive to promote WE more aggressively, and should ultimately result in both a better sell through and increased net sales. Managing those new relationships will seriously stretch staff resources. Alternatively, I am researching two companies which specialize in managing those relationships on a commission basis.

Website

Version 1 of the WE website will include, amongst other features:
- 25 sample articles and 45 sample book reviews selected from the last five issues.
- Conference area.
- Marketplace, selling subscriptions and MWECs.
- Option to purchase books reviewed, by means of the Amazon Associates Program.
- Background and contact information on the magazine.